

NEW HAMPTON COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

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New Hampton Community School District

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|--|--|---------------------|
| Board of Education (Before September 2006 Election) | | |
| Rich Stochl | President | 2008 |
| Deb Larsen | Vice President | 2007 |
| Rick Holthaus | Board Member | 2006 |
| Rich Goodwin | Board Member | 2006 |
| Bob Smith | Board Member | 2008 |
| Board of Education (After September 2006 Election) | | |
| Deb Larsen | President | 2007 |
| Rich Stochl | Vice President | 2008 |
| Terry Anderson | Board Member | 2009 |
| Kevin Rieck | Board Member | 2009 |
| Bob Smith | Board Member | 2008 |
| School Officials | | |
| Karlos McClure | Superintendent | 2007 |
| Bob Ayers | District Secretary/ Treasurer and Business Manager | 2007 |
| Judy O'Donohoe | Attorney | 2007 |

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
New Hampton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New Hampton Community School District, New Hampton, Iowa as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New Hampton Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 14, 2008 on our consideration of the New Hampton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 33 through 34 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise New Hampton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 14, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

New Hampton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$8,793,189 in fiscal 2006 to \$8,612,484 in fiscal 2007, while General Fund expenditures increased from \$8,332,387 in fiscal 2006 to \$9,048,525 in fiscal 2007. This resulted in a decrease in the District's General Fund balance from \$1,344,664 in fiscal 2006 to \$908,623 in fiscal 2007, which represents decrease of 32.4% from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in local tax revenue in fiscal 2007. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of New Hampton Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report New Hampton Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which New Hampton Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

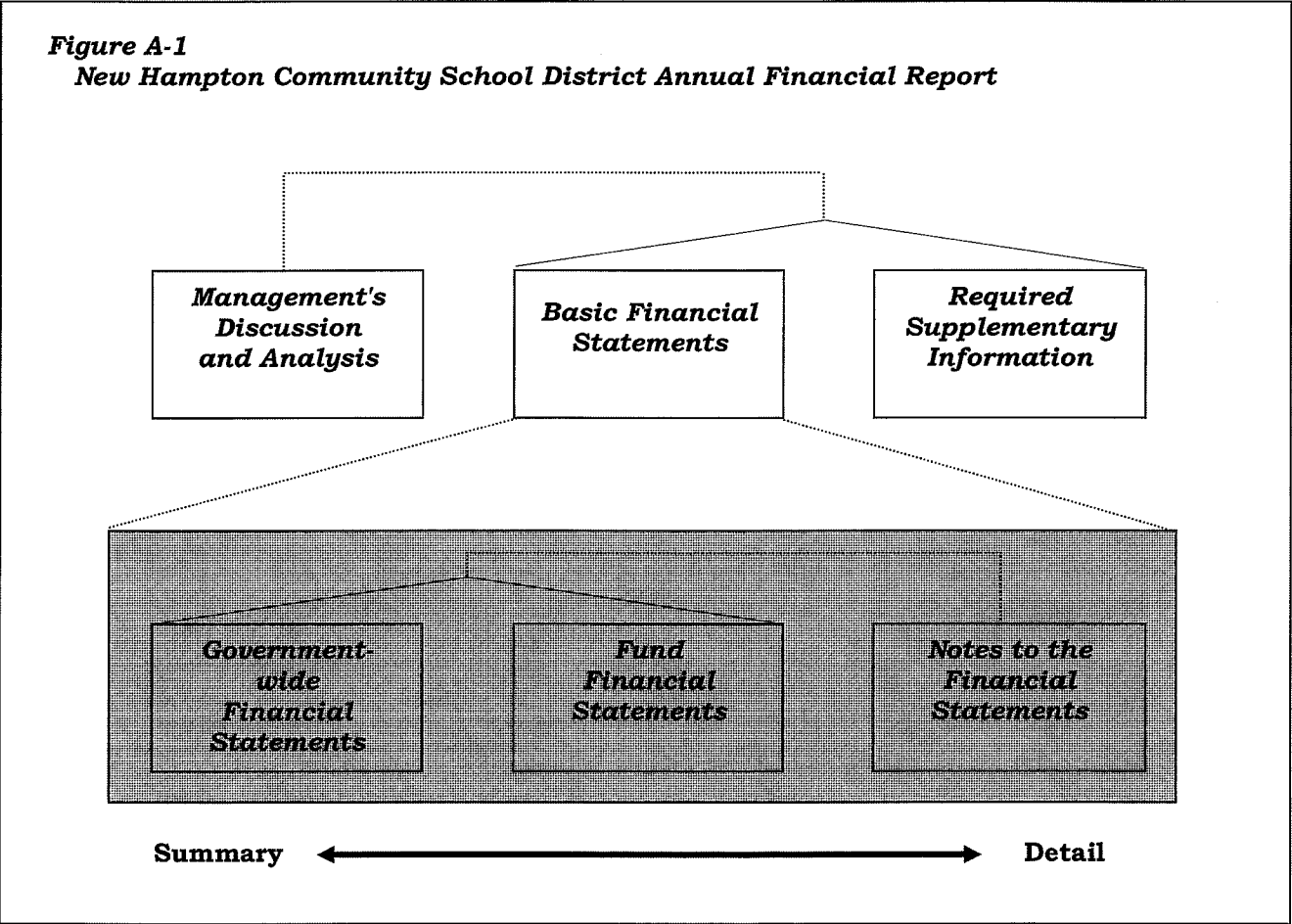


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

| Figure A-2 Major Features of the Government-wide and Fund Financial Statements | | | |
|---|--|--|---|
| | District-wide Statements | Fund Statements | |
| | | Governmental Funds | Proprietary Funds |
| Scope | Entire district (except fiduciary funds) | The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance | Activities the district operates similar to private businesses: food services and adult education |
| Required financial statements | <ul style="list-style-type: none"> • Statement of net assets • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances | <ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both financial and capital, and short-term and long-term |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid |

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

| | Governmental Activities | | Business-Type Activities | | Total School District | | Total Change |
|--|----------------------------|------------|-----------------------------|--------|--------------------------|------------|-----------------|
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2006-07 |
| Current and other assets | \$ 7,033,014 | 6,891,487 | 71,204 | 41,427 | 7,104,218 | 6,932,914 | 2.47% |
| Capital assets | 7,337,282 | 7,499,950 | 1,316 | 1,697 | 7,338,598 | 7,501,647 | -2.17% |
| Total assets | 14,370,296 | 14,391,437 | 72,520 | 43,124 | 14,442,816 | 14,434,561 | 0.06% |
| Long-term obligations | 1,314,217 | 1,943,565 | 0 | 0 | 1,314,217 | 1,943,565 | -32.38% |
| Other liabilities | 3,963,062 | 3,991,738 | 7,184 | 5,652 | 3,970,246 | 3,997,390 | -0.68% |
| Total liabilities | 5,277,279 | 5,935,303 | 7,184 | 5,652 | 5,284,463 | 5,940,955 | -11.05% |
| Net assets: | | | | | | | |
| Invested in capital assets, net of related debt | 6,102,282 | 6,376,425 | 1,316 | 1,697 | 6,103,598 | 6,378,122 | -4.30% |
| Restricted | 1,853,560 | 469,196 | 0 | 0 | 1,853,560 | 469,196 | 295.05% |
| Unrestricted | 1,137,175 | 1,610,513 | 64,020 | 35,775 | 1,201,195 | 1,646,288 | -27.04% |
| Total net assets | \$ 9,093,017 | 8,456,134 | 65,336 | 37,472 | 9,158,353 | 8,493,606 | 7.83% |

The District's combined net assets increased by 7.83%, or \$664,747, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$1,384,364, or 295.05% over the prior year. The increase was primarily a result of reclassifying the Capital Projects and Debt Service fund balances from invested in capitals assets, net of related debt to the restricted net assets category.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$445,093, or 27.04%. This decrease in unrestricted net assets was a result of the District's decrease in the General Fund balance.

Figure A-4 shows the changes in net assets for the years ended June 30, 2007 and 2006.

Figure A-4
Changes of Net Assets

| | Governmental Activities | | Business-Type Activities | | Total School District | | Total Change |
|---|----------------------------|------------|-----------------------------|---------|--------------------------|------------|-----------------|
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2006-07 |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for services | \$ 770,785 | 1,000,307 | 263,814 | 243,610 | 1,034,599 | 1,243,917 | -16.83% |
| Operating grants and contributions and restricted interest | 1,211,902 | 1,014,914 | 161,939 | 162,590 | 1,373,841 | 1,177,504 | 16.67% |
| General revenues: | | | | | | | |
| Property tax | 4,144,595 | 4,346,852 | 0 | 0 | 4,144,595 | 4,346,852 | -4.65% |
| Local option sales and service tax | 677,260 | 551,615 | 0 | 0 | 677,260 | 551,615 | 22.78% |
| Unrestricted state grants | 3,695,982 | 3,484,918 | 0 | 0 | 3,695,982 | 3,484,918 | 6.06% |
| Other | 164,174 | 141,315 | 2,801 | 1,496 | 166,975 | 142,811 | 16.92% |
| Total revenues | 10,664,698 | 10,539,921 | 428,554 | 407,696 | 11,093,252 | 10,947,617 | 1.33% |
| Program expenses: | | | | | | | |
| Governmental activities: | | | | | | | |
| Instructional | 6,581,690 | 5,812,105 | 0 | 0 | 6,581,690 | 5,812,105 | 13.24% |
| Support services | 2,616,169 | 2,393,756 | 0 | 0 | 2,616,169 | 2,393,756 | 9.29% |
| Non-instructional programs | 0 | 0 | 400,690 | 412,154 | 400,690 | 412,154 | -2.78% |
| Other expenses | 829,956 | 648,671 | 0 | 0 | 829,956 | 648,671 | 27.95% |
| Total expenses | 10,027,815 | 8,854,532 | 400,690 | 412,154 | 10,428,505 | 9,266,686 | 12.54% |
| Change in net assets | 636,883 | 1,685,389 | 27,864 | (4,458) | 664,747 | 1,680,931 | -60.45% |
| Net assets beginning of year | 8,456,134 | 6,770,745 | 37,472 | 41,930 | 8,493,606 | 6,812,675 | 24.67% |
| Net assets end of year | \$ 9,093,017 | 8,456,134 | 65,336 | 37,472 | 9,158,353 | 8,493,606 | 7.83% |

In fiscal 2007, property tax, local option sales and service tax and unrestricted state grants accounted for 79.9% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.3% of the revenue from business type activities.

The District's total revenues were approximately \$11.1 million of which \$10.7 million was for governmental activities and \$.4 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 1.33% in revenues and a 12.54% increase in expenses. The increase in expenses was related to the increase in instructional costs during the year.

Governmental Activities

Revenues for governmental activities were \$10,664,698 and expenses were \$10,027,815.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

| | Total Cost of Services | | | Net Cost of Services | | |
|------------------|------------------------|------------------|-------------------|----------------------|------------------|-------------------|
| | 2007 | 2006 | Change 2006-07 | 2007 | 2006 | Change 2006-07 |
| Instruction | \$ 6,581,690 | 5,812,105 | 13.24% | 4,994,456 | 4,233,123 | 17.99% |
| Support services | 2,616,169 | 2,393,756 | 9.29% | 2,593,332 | 2,308,068 | 12.36% |
| Other expenses | 829,956 | 648,671 | 27.95% | 457,340 | 298,120 | 53.41% |
| Totals | <u>\$ 10,027,815</u> | <u>8,854,532</u> | <u>13.25%</u> | <u>8,045,128</u> | <u>6,839,311</u> | <u>17.63%</u> |

- The cost financed by users of the District's programs was \$770,785.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,211,902.
- The net cost of governmental activities was financed with \$4,144,595 in property tax, \$677,260 in local option sales and services tax, \$3,695,982 in unrestricted state grants and \$164,174 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$428,554 and expenses were \$400,690. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the New Hampton Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,793,747, above last year's ending fund balances of \$2,627,314. However, the primary reason for the increase in combined fund balances in fiscal 2007 is due to the controlled spending in the Capital Projects, Physical Plant and Equipment Levy and the Management Levy.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position from \$1,344,664 to \$908,623 is the product of many factors:
 - Decreases in local taxes received during the year resulted in a decrease in revenues.
 - The increase in negotiated salary and benefits settlement, as well as existing expenditure commitments of the District, resulted in an increase in expenditures. Total expenditures increased in 2007 by \$716,138 or approximately 8.6% from 2006.
- The Capital Projects Fund balance increased from \$290,589 in fiscal 2006 to \$451,327 in fiscal 2007. The balance increased due to an increase in local option sales and service tax received during the current year.

-
- The Debt Service Fund balance increased from \$412,839 in 2006 to \$606,127 in 2007. This increase is primarily the result of revenues and transfers exceeding total expenditures for the year.
 - The Special Revenue-Management Levy Fund balance increased from \$245,938 in 2006 to \$470,865 in 2007. This increase is due to an increase in local taxes received during the current year.
 - The Special Revenue-Physical Plant and Equipment Levy Fund balance increased \$36,294 during the 2006-07 fiscal year. Despite the increase in expenses the District was able to increase the fund balance from \$184,584 to \$220,878.
 - The Special Revenue-Student Activity Fund balance decreased \$12,773 during the current year. This decrease is the result of the normal fluctuations of the individual accounts within the Fund.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$37,472 at June 30, 2006 to \$65,336 at June 30, 2007, representing an increase of 74.4%.

BUDGETARY HIGHLIGHTS

Over the course of the year, New Hampton Community School District amended its annual budget one time to reflect additional expenditures associated with all of the budgeted functions.

The District's revenues were \$171,938 more than budgeted revenues, a variance of 1.6%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services functional area due to the timing of expenditures paid.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$7,338,598, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$337,604.

The original cost of the District's capital assets was \$13.9 million. Governmental funds account for \$13.8 million with the remainder of \$0.1 million in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress was completed during the year resulted in \$0 at June 30, 2007, compared to \$72,000 reported at June 30, 2006.

Figure A-6
Capital Assets, Net of Depreciation

| | Governmental Activities | | Business-Type Activities | | Total School District | | Total Change |
|-----------------------------------|----------------------------|-----------|-----------------------------|-------|--------------------------|-----------|-----------------|
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2006-07 |
| Land | \$ 381,700 | 381,700 | 0 | 0 | 381,700 | 381,700 | 0.00% |
| Construction in progress | 0 | 72,000 | 0 | 0 | 0 | 72,000 | -100.00% |
| Buildings | 6,034,403 | 6,109,048 | 0 | 0 | 6,034,403 | 6,109,048 | -1.22% |
| Improvements other than buildings | 440,982 | 469,632 | 0 | 0 | 440,982 | 469,632 | -6.10% |
| Machinery and equipment | 480,197 | 467,570 | 1,316 | 1,697 | 481,513 | 469,267 | 2.61% |
| Total | \$ 7,337,282 | 7,499,950 | 1,316 | 1,697 | 7,338,598 | 7,501,647 | -2.17% |

Long-Term Debt

At June 30, 2007, the District had \$1,314,217 in general obligation bonds and early retirement benefits outstanding. This represents a decrease of 32.4% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$1,235,000 at June 30, 2007.

The District had total outstanding Early Retirement payable from the Special Revenue, Management Fund of \$79,217 at June 30, 2007.

Figure A-7
Outstanding Long-Term Obligations

| | Total School District | | Total Change |
|--------------------------|--------------------------|-----------|-----------------|
| | June 30, | | June 30, |
| | 2007 | 2006 | 2006-07 |
| General obligation bonds | \$ 1,235,000 | 1,815,000 | -32.0% |
| Early retirement | 79,217 | 128,565 | -38.4% |
| Totals | \$ 1,314,217 | 1,943,565 | -32.4% |

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten year period which began in fiscal year 2005.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

-
- The District has experienced declining enrollment for a few years, the District's October 2007 certified enrollment also showed a decrease of 3.1 students from the prior year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Bob Ayers, District Secretary/Treasurer and Business Manager, New Hampton Community School District, 710 West Main Street, New Hampton, Iowa, 50659.

BASIC FINANCIAL STATEMENTS

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|-------------------|
| Assets | | | |
| Cash and pooled investments | \$ 2,670,365 | 59,922 | 2,730,287 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 46,420 | 0 | 46,420 |
| Succeeding year | 3,858,630 | 0 | 3,858,630 |
| Income surtax | 284,388 | 0 | 284,388 |
| Accounts | 37,139 | 0 | 37,139 |
| Due from other governments | 136,072 | 0 | 136,072 |
| Inventories | 0 | 11,282 | 11,282 |
| Capital assets, net of accumulated depreciation (Note 5) | 7,337,282 | 1,316 | 7,338,598 |
| Total Assets | 14,370,296 | 72,520 | 14,442,816 |
| Liabilities | | | |
| Accounts payable | 93,414 | 334 | 93,748 |
| Salaries and benefits payable | 2,835 | 0 | 2,835 |
| Interest payable | 8,183 | 0 | 8,183 |
| Deferred revenue: | | | |
| Succeeding year property tax | 3,858,630 | 0 | 3,858,630 |
| Unearned revenue | 0 | 6,850 | 6,850 |
| Long-term liabilities (Note 6): | | | |
| Portion due within one year: | | | |
| Bonds payable | 605,000 | 0 | 605,000 |
| Early retirement payable | 37,799 | 0 | 37,799 |
| Portion due after one year: | | | |
| Bonds payable | 630,000 | 0 | 630,000 |
| Early retirement payable | 41,418 | 0 | 41,418 |
| Total Liabilities | 5,277,279 | 7,184 | 5,284,463 |
| Net Assets | | | |
| Invested in capital assets, net of related debt | 6,102,282 | 1,316 | 6,103,598 |
| Restricted for: | | | |
| Talented and gifted | 31,549 | 0 | 31,549 |
| Beginning teacher mentoring | 620 | 0 | 620 |
| Salary improvement program | 474 | 0 | 474 |
| Additional teacher contract day | 3,932 | 0 | 3,932 |
| Professional development | 3 | 0 | 3 |
| Market factor | 7,780 | 0 | 7,780 |
| Other | 3,295 | 0 | 3,295 |
| Debt service | 606,127 | 0 | 606,127 |
| Capital projects | 451,327 | 0 | 451,327 |
| Management levy | 391,648 | 0 | 391,648 |
| Physical plant and equipment levy | 220,878 | 0 | 220,878 |
| Other special revenue purposes | 135,927 | 0 | 135,927 |
| Unrestricted | 1,137,175 | 64,020 | 1,201,195 |
| Total Net Assets | \$ 9,093,017 | 65,336 | 9,158,353 |

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|---|------------------|----------------------|---|---|--------------------------|-------------|
| | Expenses | Charges for Services | Operating Grants, Contributions and Restricted Interest | Governmental Activities | Business-Type Activities | Total |
| Functions/Programs | | | | | | |
| Governmental activities: | | | | | | |
| Instruction: | | | | | | |
| Regular instruction | \$ 4,003,555 | 213,058 | 755,288 | (3,035,209) | 0 | (3,035,209) |
| Special instruction | 1,914,412 | 91,516 | 61,482 | (1,761,414) | 0 | (1,761,414) |
| Other instruction | 663,723 | 465,890 | 0 | (197,833) | 0 | (197,833) |
| | 6,581,690 | 770,464 | 816,770 | (4,994,456) | 0 | (4,994,456) |
| Support services: | | | | | | |
| Student services | 293,211 | 0 | 0 | (293,211) | 0 | (293,211) |
| Instructional staff services | 309,447 | 0 | 0 | (309,447) | 0 | (309,447) |
| Administration services | 879,822 | 0 | 0 | (879,822) | 0 | (879,822) |
| Operation and maintenance of plant services | 673,648 | 0 | 0 | (673,648) | 0 | (673,648) |
| Transportation services | 460,041 | 321 | 22,516 | (437,204) | 0 | (437,204) |
| | 2,616,169 | 321 | 22,516 | (2,593,332) | 0 | (2,593,332) |
| Other expenditures: | | | | | | |
| Facilities acquisition | 134,073 | 0 | 0 | (134,073) | 0 | (134,073) |
| Long-term debt interest | 68,348 | 0 | 0 | (68,348) | 0 | (68,348) |
| AEA flowthrough | 372,616 | 0 | 372,616 | 0 | 0 | 0 |
| Depreciation(unallocated)* | 254,919 | 0 | 0 | (254,919) | 0 | (254,919) |
| | 829,956 | 0 | 372,616 | (457,340) | 0 | (457,340) |
| Total governmental activities | 10,027,815 | 770,785 | 1,211,902 | (8,045,128) | 0 | (8,045,128) |
| Business-Type activities: | | | | | | |
| Non-instructional programs: | | | | | | |
| Nutrition services | 400,690 | 263,814 | 161,939 | 0 | 25,063 | 25,063 |
| Total business-type activities | 400,690 | 263,814 | 161,939 | 0 | 25,063 | 25,063 |
| Total | \$ 10,428,505 | 1,034,599 | 1,373,841 | (8,045,128) | 25,063 | (8,020,065) |
| General Revenues: | | | | | | |
| Property tax levied for: | | | | | | |
| General purposes | | | | \$ 3,622,695 | 0 | 3,622,695 |
| Capital outlay | | | | 106,126 | 0 | 106,126 |
| Debt service | | | | 415,774 | 0 | 415,774 |
| Local option sales and services tax | | | | 677,260 | 0 | 677,260 |
| Unrestricted state grants | | | | 3,695,982 | 0 | 3,695,982 |
| Unrestricted investment earnings | | | | 164,174 | 2,801 | 166,975 |
| Total general revenues | | | | 8,682,011 | 2,801 | 8,684,812 |
| Changes in net assets | | | | 636,883 | 27,864 | 664,747 |
| Net assets beginning of year | | | | 8,456,134 | 37,472 | 8,493,606 |
| Net assets end of year | | | | \$ 9,093,017 | 65,336 | 9,158,353 |

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

| | General | Capital Projects | Debt Service | Special Revenue | | | Total |
|--|---------------------|---------------------|------------------|-------------------------|--|---------------------|------------------|
| | | | | Manage- ment Levy | Physical Plant and Equipment Levy | Student Activity | |
| Assets | | | | | | | |
| Cash and pooled investments | \$ 872,734 | 351,951 | 601,314 | 466,517 | 238,188 | 139,661 | 2,670,365 |
| Receivables: | | | | | | | |
| Property tax | | | | | | | |
| Delinquent | 35,395 | 0 | 4,813 | 4,848 | 1,364 | 0 | 46,420 |
| Succeeding year | 3,089,791 | 0 | 414,298 | 245,500 | 109,041 | 0 | 3,858,630 |
| Income surtax | 284,388 | 0 | 0 | 0 | 0 | 0 | 284,388 |
| Interfund | 0 | 0 | 0 | 0 | 5,500 | 0 | 5,500 |
| Accounts | 35,554 | 0 | 0 | 0 | 0 | 1,585 | 37,139 |
| Due from other governments | 35,590 | 100,482 | 0 | 0 | 0 | 0 | 136,072 |
| Total Assets | \$ 4,353,452 | 452,433 | 1,020,425 | 716,865 | 354,093 | 141,246 | 7,038,514 |
| Liabilities and Fund Balances | | | | | | | |
| Liabilities: | | | | | | | |
| Interfund payable | \$ 5,500 | 0 | 0 | 0 | 0 | 0 | 5,500 |
| Accounts payable | 62,315 | 1,106 | 0 | 500 | 24,174 | 5,319 | 93,414 |
| Salaries and benefits payable | 2,835 | 0 | 0 | 0 | 0 | 0 | 2,835 |
| Deferred revenue: | | | | | | | |
| Succeeding year property tax | 3,089,791 | 0 | 414,298 | 245,500 | 109,041 | 0 | 3,858,630 |
| Income surtax | 284,388 | 0 | 0 | 0 | 0 | 0 | 284,388 |
| Total liabilities | 3,444,829 | 1,106 | 414,298 | 246,000 | 133,215 | 5,319 | 4,244,767 |
| Fund balances: | | | | | | | |
| Reserved: | | | | | | | |
| Debt service | 0 | 0 | 606,127 | 0 | 0 | 0 | 606,127 |
| Talented and gifted | 31,549 | 0 | 0 | 0 | 0 | 0 | 31,549 |
| Beginning teacher mentoring | 620 | 0 | 0 | 0 | 0 | 0 | 620 |
| Salary improvement program | 474 | 0 | 0 | 0 | 0 | 0 | 474 |
| Additional teacher contract day | 3,932 | 0 | 0 | 0 | 0 | 0 | 3,932 |
| Professional development | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Market factor | 7,780 | 0 | 0 | 0 | 0 | 0 | 7,780 |
| Other | 3,295 | 0 | 0 | 0 | 0 | 0 | 3,295 |
| Unreserved | 860,970 | 451,327 | 0 | 470,865 | 220,878 | 135,927 | 2,139,967 |
| Total fund balances | 908,623 | 451,327 | 606,127 | 470,865 | 220,878 | 135,927 | 2,793,747 |
| Total Liabilities and Fund Balances | \$ 4,353,452 | 452,433 | 1,020,425 | 716,865 | 354,093 | 141,246 | 7,038,514 |

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2007

| | |
|---|----------------------------|
| Total fund balances of governmental funds (page 16) | \$ 2,793,747 |
| <i>Amounts reported for governmental activities in the statement of net assets are different because:</i> | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | 7,337,282 |
| Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period. | 284,388 |
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. | (8,183) |
| Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | (1,314,217) |
| Net assets of governmental activities (page 14) | <u><u>\$ 9,093,017</u></u> |

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

| | General | Capital Projects | Debt Service | Special Revenue | | | Total |
|--|-------------------|---------------------|-----------------|-------------------------|--|---------------------|-------------------|
| | | | | Manage- ment Levy | Physical Plant Equipment Levy | Student Activity | |
| Revenues: | | | | | | | |
| Local sources: | | | | | | | |
| Local tax | \$ 3,223,671 | 677,260 | 415,774 | 399,024 | 106,126 | 0 | 4,821,855 |
| Tuition | 304,574 | 0 | 0 | 0 | 0 | 0 | 304,574 |
| Other | 173,493 | 57,648 | 0 | 43,545 | 0 | 352,150 | 626,836 |
| Intermediate sources | 3,549 | 0 | 0 | 0 | 0 | 0 | 3,549 |
| State sources | 4,483,757 | 0 | 308 | 300 | 79 | 0 | 4,484,444 |
| Federal sources | 423,440 | 0 | 0 | 0 | 0 | 0 | 423,440 |
| Total revenues | 8,612,484 | 734,908 | 416,082 | 442,869 | 106,205 | 352,150 | 10,664,698 |
| Expenditures: | | | | | | | |
| Current: | | | | | | | |
| Instruction: | | | | | | | |
| Regular instruction | 4,063,778 | 0 | 0 | 0 | 0 | 0 | 4,063,778 |
| Special instruction | 1,914,412 | 0 | 0 | 0 | 0 | 0 | 1,914,412 |
| Other instruction | 183,667 | 0 | 0 | 115,133 | 0 | 364,923 | 663,723 |
| | <u>6,161,857</u> | <u>0</u> | <u>0</u> | <u>115,133</u> | <u>0</u> | <u>364,923</u> | <u>6,641,913</u> |
| Support services: | | | | | | | |
| Student services | 293,211 | 0 | 0 | 0 | 0 | 0 | 293,211 |
| Instructional staff services | 309,447 | 0 | 0 | 0 | 0 | 0 | 309,447 |
| Administration services | 878,670 | 0 | 0 | 1,152 | 0 | 0 | 879,822 |
| Operation and maintenance of plant services | 571,991 | 0 | 0 | 101,657 | 0 | 0 | 673,648 |
| Transportation services | 460,733 | 0 | 0 | 0 | 1,060 | 0 | 461,793 |
| | <u>2,514,052</u> | <u>0</u> | <u>0</u> | <u>102,809</u> | <u>1,060</u> | <u>0</u> | <u>2,617,921</u> |
| Other expenditures: | | | | | | | |
| Facilities acquisitions | 0 | 144,846 | 0 | 0 | 68,851 | 0 | 213,697 |
| Long-term debt: | | | | | | | |
| Principal | 0 | 0 | 580,000 | 0 | 0 | 0 | 580,000 |
| Interest and fiscal charges | 0 | 0 | 72,118 | 0 | 0 | 0 | 72,118 |
| AEA flowthrough | 372,616 | 0 | 0 | 0 | 0 | 0 | 372,616 |
| | <u>372,616</u> | <u>144,846</u> | <u>652,118</u> | <u>0</u> | <u>68,851</u> | <u>0</u> | <u>1,238,431</u> |
| Total expenditures | 9,048,525 | 144,846 | 652,118 | 217,942 | 69,911 | 364,923 | 10,498,265 |
| Excess(deficiency) of revenues over(under) expenditures | (436,041) | 590,062 | (236,036) | 224,927 | 36,294 | (12,773) | 166,433 |
| Other financing sources(uses): | | | | | | | |
| Transfers in | 0 | 0 | 429,324 | 0 | 0 | 0 | 429,324 |
| Transfers out | 0 | (429,324) | 0 | 0 | 0 | 0 | (429,324) |
| Total other financing sources(uses) | 0 | (429,324) | 429,324 | 0 | 0 | 0 | 0 |
| Net change in fund balances | (436,041) | 160,738 | 193,288 | 224,927 | 36,294 | (12,773) | 166,433 |
| Fund balance beginning of year | 1,344,664 | 290,589 | 412,839 | 245,938 | 184,584 | 148,700 | 2,627,314 |
| Fund balance end of year | <u>\$ 908,623</u> | <u>451,327</u> | <u>606,127</u> | <u>470,865</u> | <u>220,878</u> | <u>135,927</u> | <u>2,793,747</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2007

Net change in fund balances - total governmental funds(page 18) \$ 166,433

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year, are as follows:

| | | |
|---------------------------------|------------------|-----------|
| Expenditures for capital assets | \$ 174,555 | |
| Depreciation expense | <u>(337,223)</u> | (162,668) |

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 580,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 3,770

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

| | |
|------------------|---------------|
| Early Retirement | <u>49,348</u> |
|------------------|---------------|

Changes in net assets of governmental activities(page 15) \$ 636,883

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2007

| | <u>School Nutrition</u> |
|--|-----------------------------|
| Assets | |
| Cash and pooled investments | \$ 59,922 |
| Inventories | 11,282 |
| Capital assets, net of accumulated depreciation(Note 5) | <u>1,316</u> |
| Total Assets | <u>72,520</u> |
| Liabilities | |
| Accounts payable | 334 |
| Unearned revenue | <u>6,850</u> |
| Total Liabilities | <u>7,184</u> |
| Net Assets | |
| Invested in capital assets | 1,316 |
| Unrestricted | <u>64,020</u> |
| Total Net Assets | <u>\$ 65,336</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

| | <u>School Nutrition</u> |
|------------------------------|-----------------------------|
| OPERATING REVENUE: | |
| Local sources: | |
| Charges for services | \$ 263,814 |
| TOTAL OPERATING REVENUES | <u>263,814</u> |
| OPERATING EXPENSES: | |
| Non-instructional programs: | |
| Salaries | 150,962 |
| Benefits | 56,615 |
| Services | 5,842 |
| Supplies | 186,890 |
| Depreciation | 381 |
| TOTAL OPERATING EXPENSES | <u>400,690</u> |
| OPERATING LOSS | <u>(136,876)</u> |
| NON-OPERATING REVENUES: | |
| State sources | 5,855 |
| Federal sources | 156,084 |
| Interest income | 2,801 |
| TOTAL NON-OPERATING REVENUES | <u>164,740</u> |
| Net loss | 27,864 |
| Net assets beginning of year | <u>37,472</u> |
| Net assets end of year | <u><u>\$ 65,336</u></u> |

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

| | <u>School Nutrition</u> |
|--|-----------------------------|
| Cash flows from operating activities: | |
| Cash received from sale of lunches and breakfasts | \$ 262,391 |
| Cash received from miscellaneous sources | 2,802 |
| Cash payments to employees for services | (207,648) |
| Cash payments to suppliers for goods or services | (160,531) |
| Net cash used in operating activities | <u>(102,986)</u> |
| Cash flows from non-capital financing activities: | |
| State grants received | 5,855 |
| Federal grants received | 124,942 |
| Net cash provided by non-capital financing activities | <u>130,797</u> |
| Cash flows from investing activities: | |
| Interest on investments | <u>2,801</u> |
| Net increase in cash and cash equivalents | 30,612 |
| Cash and cash equivalents at beginning of year | <u>29,310</u> |
| Cash and cash equivalents at end of year | <u><u>\$ 59,922</u></u> |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | \$ (136,876) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Commodities consumed | 31,142 |
| Depreciation | 381 |
| Decrease in inventories | 725 |
| Decrease in accounts receivable | 110 |
| Increase in accounts payable | 334 |
| Decrease in salaries and benefits payable | (71) |
| Increase in unearned revenue | 1,269 |
| Net cash used in operating activities | <u><u>\$ (102,986)</u></u> |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET: | |
| Current assets: | |
| Cash and pooled investments | <u><u>\$ 59,922</u></u> |

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$31,142.

SEE NOTES TO FINANCIAL STATEMENTS.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(1) Summary of Significant Accounting Policies

The New Hampton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of New Hampton, Iowa, and the predominate agricultural territory in Howard and Chickasaw Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, New Hampton Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The New Hampton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Howard and Chickasaw Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Special Revenue - Management Fund is utilized to account for the payment of property insurance and early retirement benefits.

The Special Revenue - Physical Plant and Equipment Levy Fund is utilized to account for major equipment purchases and capital improvements.

The Special Revenue - Student Activity Fund is utilized to account for cocurricular and extracurricular activities and student-run organizations.

The District reports the following proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements

issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| Asset Class | Amount |
|---------------------------------|--------|
| Land | \$ 500 |
| Buildings | 500 |
| Land improvements | 500 |
| Machinery and equipment: | |
| School Nutrition Fund equipment | 500 |
| Other machinery and equipment | 500 |

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

| Asset Class | Estimated Useful Life (In Years) |
|-------------------------|--|
| Buildings | 50 years |
| Land improvements | 20 years |
| Machinery and equipment | 5-12 years |

Salaries and Benefits Payable - Payroll and related expenditures for corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the support services function exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment

companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2007.

(3) Due From and Due to Other Funds

The detail of interfund receivable and payables at June 30, 2007 is as follows:

| Receivable Fund | Payable Fund | Amount |
|--|--------------|-----------------|
| Special Revenues - Physical Plant and Equipment Levy | General | <u>\$ 5,500</u> |

(4) Transfers

The detail of transfers for the year ended June 30, 2007 is as follows:

| Transfer to | Transfer from | Amount |
|--------------|------------------|-------------------|
| Debt Service | Capital Projects | <u>\$ 429,324</u> |

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|--|---------------------------------|--------------|-----------|---------------------------|
| Business-type activities: | | | | |
| Machinery and equipment | \$ 85,682 | 0 | 0 | 85,682 |
| Less accumulated depreciation | 83,985 | 381 | 0 | 84,366 |
| Business-type activities capital assets, net | <u>\$ 1,697</u> | <u>(381)</u> | <u>0</u> | <u>1,316</u> |

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---|---------------------------------|-----------|-----------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 381,700 | 0 | 0 | 381,700 |
| Construction in progress | 72,000 | 77,263 | 149,263 | 0 |
| Total capital assets not being depreciated | 453,700 | 77,263 | 149,263 | 381,700 |
| Capital assets being depreciated: | | | | |
| Buildings | 9,488,259 | 151,624 | 0 | 9,639,883 |
| Land improvements | 717,616 | 0 | 0 | 717,616 |
| Machinery and equipment | 3,007,460 | 94,931 | 36,961 | 3,065,430 |
| Total capital assets being depreciated | 13,213,335 | 246,555 | 36,961 | 13,422,929 |
| Less accumulated depreciation for: | | | | |
| Buildings | 3,379,211 | 226,269 | 0 | 3,605,480 |
| Land improvements | 247,984 | 28,650 | 0 | 276,634 |
| Machinery and equipment | 2,539,890 | 82,304 | 36,961 | 2,585,233 |
| Total accumulated depreciation | 6,167,085 | 337,223 | 36,961 | 6,467,347 |
| Total capital assets being depreciated, net | 7,046,250 | (90,668) | 0 | 6,955,582 |
| Governmental activities capital assets, net | \$ 7,499,950 | (13,405) | 149,263 | 7,337,282 |

Depreciation expense was charged by the District as follows:

| | |
|--|------------|
| Governmental activities: | |
| Instruction: | |
| Regular | \$ 12,996 |
| Support services: | |
| Transportation | 69,308 |
| | 82,304 |
| Unallocated depreciation | 254,919 |
| Total governmental activities depreciation expense | \$ 337,223 |
| Business-type activities: | |
| Food services | \$ 381 |

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year | Due Within One Year |
|--------------------------|---------------------------------|-----------|-----------|---------------------------|---------------------------|
| General obligation bonds | \$ 1,815,000 | 0 | 580,000 | 1,235,000 | 605,000 |
| Early retirement | 128,565 | 0 | 49,348 | 79,217 | 37,799 |
| Total | \$ 1,943,565 | 0 | 629,348 | 1,314,217 | 642,799 |

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to a percentage of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay per individual. Early retirement benefits paid during the year ended June 30, 2007, totaled \$49,348. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

| Year Ending June 30, | Bond Issue of November 1, 1998 | | | |
|----------------------------|--------------------------------|--------------|----------|-----------|
| | Interest Rates | Principal | Interest | Total |
| 2008 | 3.95 % | \$ 605,000 | 49,098 | 654,098 |
| 2009 | 4.00 | 630,000 | 25,200 | 655,200 |
| Total | | \$ 1,235,000 | 74,298 | 1,309,298 |

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$357,071, \$301,818, and \$300,859 respectively, equal to the required contributions for each year.

(8) Risk Management

New Hampton Community School District is a member in the Northeast Iowa Schools Insurance Trust, and Iowa Code Chapter 28E organization. The Northeast Iowa Schools Insurance Trust (NEIST) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. NEIST was formed July 1999 for the purpose of managing and funding employee benefits. NEIST provides coverage and protection in the following categories: medical, dental, long-term disability, and life insurance.

Each member's contributions to NEIST funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a GAAP basis, NEIST's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to NEIST for the year ended June 30, 2007 were \$1,155,150.

Payments from participating members are the sole source for paying claims and establishing reserves for the NEIST self-funded programs. Stop loss insurance is purchased by NEIST to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2007, no liability has been recorded in the District's financial statements. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. NEIST will pay claims incurred before the termination date.

New Hampton Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$372,616 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2007, expenditures in the support service function exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

| | Governmental Funds Actual | Proprietary Fund Actual | Total Actual | Budgeted Amounts | | Final to Actual Variance |
|---|---------------------------------|-------------------------------|-----------------|------------------|-------------|--------------------------------|
| | | | | Original | Final | |
| Revenues: | | | | | | |
| Local sources | \$ 5,753,265 | 266,615 | 6,019,880 | 5,737,368 | 5,737,368 | 282,512 |
| Intermediate sources | 3,549 | 0 | 3,549 | 30,000 | 30,000 | (26,451) |
| State sources | 4,484,444 | 5,855 | 4,490,299 | 4,607,946 | 4,607,946 | (117,647) |
| Federal sources | 423,440 | 156,084 | 579,524 | 546,000 | 546,000 | 33,524 |
| Total revenues | 10,664,698 | 428,554 | 11,093,252 | 10,921,314 | 10,921,314 | 171,938 |
| Expenditures: | | | | | | |
| Instruction | 6,641,913 | 0 | 6,641,913 | 6,781,952 | 7,082,687 | 440,774 |
| Support services | 2,617,921 | 0 | 2,617,921 | 2,586,000 | 2,586,000 | (31,921) |
| Non-instructional programs | 0 | 400,690 | 400,690 | 450,000 | 478,467 | 77,777 |
| Other expenditures | 1,238,431 | 0 | 1,238,431 | 1,665,048 | 1,820,616 | 582,185 |
| Total expenditures | 10,498,265 | 400,690 | 10,898,955 | 11,483,000 | 11,967,770 | 1,068,815 |
| Excess(deficiency) of revenues over(under) expenditures | 166,433 | 27,864 | 194,297 | (561,686) | (1,046,456) | 1,240,753 |
| Other financing sources, net | 0 | 0 | 0 | 10,000 | 10,000 | (10,000) |
| Excess(deficiency) of revenues and other financing sources over(under) expenditures | 166,433 | 27,864 | 194,297 | (551,686) | (1,036,456) | 1,230,753 |
| Balance beginning of year | 2,627,314 | 37,472 | 2,664,786 | 1,729,468 | 1,729,468 | 935,318 |
| Balance end of year | \$ 2,793,747 | 65,336 | 2,859,083 | 1,177,782 | 693,012 | 2,166,071 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$484,770.

During the year ended June 30, 2007, expenditures in the support services functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2007

| Account | Balance Beginning of Year | Revenues | Expendi- tures | Balance End of Year |
|---------------------------|---------------------------------|----------|-------------------|---------------------------|
| Staff Recognition Program | \$ 253 | 85 | 308 | 30 |
| Academic Award Letter | 2,226 | 0 | 0 | 2,226 |
| Camp EWALU | 1 | 0 | 0 | 1 |
| Drama | 49 | 1,271 | 1,210 | 110 |
| Speech | 168 | 432 | 597 | 3 |
| National Honor Society | 6 | 948 | 362 | 592 |
| Student Activities | 42,201 | 0 | 18,312 | 23,889 |
| Annual | 4 | 11,557 | 11,561 | 0 |
| Chieftain | 284 | 0 | 0 | 284 |
| Advance Placement Exam | 986 | 331 | 711 | 606 |
| Vocal Music | 2,394 | 2,487 | 4,133 | 748 |
| Instrumental Music | 3,073 | 1,739 | 1,581 | 3,231 |
| Swing Choir | 1,324 | 2,705 | 3,609 | 420 |
| Band Trip | 362 | 0 | 0 | 362 |
| Trapshooting | 0 | 6,762 | 6,761 | 1 |
| Future Educators | 131 | 0 | 0 | 131 |
| Art Club | 81 | 0 | 0 | 81 |
| AFS | 2,465 | 0 | 0 | 2,465 |
| Writers Club | 142 | 0 | 0 | 142 |
| Science Achievement Club | 8 | 0 | 0 | 8 |
| BAC | 805 | 361 | 230 | 936 |
| FFA | 1,347 | 8,106 | 7,255 | 2,198 |
| SADD | 1,706 | 3,022 | 2,525 | 2,203 |
| Student Senate | 1,220 | 21,983 | 19,740 | 3,463 |
| Class of 2005 | 129 | 0 | 129 | 0 |
| Class of 2007 | 4,339 | 0 | 4,339 | 0 |
| Class of 2008 | 5,944 | 722 | 1,839 | 4,827 |
| Class of 2009 | 60 | 12,943 | 7,075 | 5,928 |
| Class of 2010 | 62 | 209 | 269 | 2 |
| Class of 2011 | 11,935 | 48,288 | 60,195 | 28 |
| Class of 2012 | 8,969 | 8,526 | 130 | 17,365 |
| Class of 2013 | 4,624 | 6,594 | 0 | 11,218 |
| Class of 2014 | 0 | 5,351 | (131) | 5,482 |
| HS Lounge | 10 | 0 | 25 | (15) |
| Picture | 1,580 | 0 | 0 | 1,580 |
| Activity Tickets | 25 | 13,294 | 13,318 | 1 |
| Lettermen | 6,681 | 4,157 | 7,605 | 3,233 |
| Letterette | 1,555 | 1,441 | 2,952 | 44 |
| Pom Pon | 1,090 | 11,333 | 12,418 | 5 |
| Pep Club | 10 | 0 | 0 | 10 |

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2007

| Account | Balance Beginning of Year | Revenues | Expendi- tures | Balance End of Year |
|----------------------------------|---------------------------------|----------|-------------------|---------------------------|
| Athletics | (513) | 128,422 | 131,150 | (3,241) |
| NEIC Athletic Directors | 471 | 5,957 | 5,870 | 558 |
| Student Senate Vending | 128 | 2,934 | 3,055 | 7 |
| Miscellaneous | 85 | 6,714 | 6,795 | 4 |
| Vocal Music | 35 | 0 | 0 | 35 |
| MS Musical | 9,443 | 1,443 | 2,637 | 8,249 |
| Annual | 2,992 | 6,010 | 6,783 | 2,219 |
| MS Music | 1,252 | 1,694 | 23 | 2,923 |
| Student Senate | 42 | 9,077 | 9,119 | 0 |
| Picture | 125 | 0 | 123 | 2 |
| OM/DI Activity | 471 | 8,473 | 7,689 | 1,255 |
| MS Athletic Pop | 16 | 54 | 0 | 70 |
| Elementary Student Council Books | 18 | 0 | 0 | 18 |
| Picture | 2,030 | 0 | 1,444 | 586 |
| Lounge | 2,933 | 222 | 150 | 3,005 |
| Elementary Carnival | 13,670 | 5,008 | 643 | 18,035 |
| Student Assistance | 0 | 894 | 384 | 510 |
| Book Fair | 659 | 0 | 0 | 659 |
| Box Top for Education | 3,062 | 601 | 0 | 3,663 |
| Elementary Playground | 3,532 | 0 | 0 | 3,532 |
| Total | \$ 148,700 | 352,150 | 364,923 | 135,927 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 FOR THE LAST FOUR YEARS

| | Modified Accrual Basis | | | |
|---|------------------------|-------------------|-------------------|-------------------|
| | Years Ended June 30, | | | |
| | 2007 | 2006 | 2005 | 2004 |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 4,821,855 | 4,917,484 | 4,912,351 | 4,760,526 |
| Tuition | 304,574 | 265,997 | 247,581 | 223,477 |
| Other | 626,836 | 869,245 | 1,037,269 | 591,796 |
| Intermediate sources | 3,549 | 550 | 3,284 | 4,234 |
| State sources | 4,484,444 | 4,239,464 | 4,123,898 | 4,000,492 |
| Federal sources | 423,440 | 260,368 | 588,581 | 921,733 |
| Total | <u>\$ 10,664,698</u> | <u>10,553,108</u> | <u>10,912,964</u> | <u>10,502,258</u> |
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular instruction | \$ 4,063,778 | 3,733,483 | 3,833,556 | 3,812,527 |
| Special instruction | 1,914,412 | 1,653,993 | 1,423,451 | 1,356,551 |
| Other instruction | 663,723 | 670,400 | 792,932 | 877,351 |
| Support services: | | | | |
| Student services | 293,211 | 216,995 | 175,843 | 241,523 |
| Instructional staff services | 309,447 | 325,272 | 292,364 | 280,984 |
| Administration services | 879,822 | 834,580 | 785,261 | 751,760 |
| Operation and maintenance of plant services | 673,648 | 698,543 | 647,956 | 637,681 |
| Transportation services | 461,793 | 436,484 | 458,782 | 467,772 |
| Other expenditures: | | | | |
| Facilities acquisitions | 213,697 | 106,513 | 735,832 | 1,611,810 |
| Long-term debt: | | | | |
| Principal | 580,000 | 560,000 | 535,000 | 510,000 |
| Interest | 72,118 | 93,957 | 114,772 | 134,357 |
| AEA flow-through | 372,616 | 350,551 | 347,827 | 353,290 |
| Total | <u>\$ 10,498,265</u> | <u>9,680,771</u> | <u>10,143,576</u> | <u>11,035,606</u> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
New Hampton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of New Hampton Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 14, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered New Hampton Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of New Hampton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of New Hampton Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects New Hampton Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of New Hampton Community School District's financial statements that is more than inconsequential will not be prevented or detected by New Hampton Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by New Hampton Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

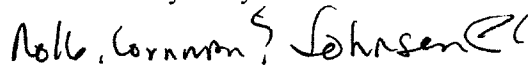
As part of obtaining reasonable assurance about whether New Hampton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

New Hampton Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit New Hampton Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of New Hampton Community School District and other parties to whom New Hampton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of New Hampton Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 14, 2008

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider other alternative and implement as possible.

Conclusion - Response accepted.

- I-B-07 Student Activity Fund - We noted during our audit in the Student Activity Fund various accounts that do not appear to be student run organizations or clubs. Some of these accounts include the picture fund, lounge accounts, advanced placement exam, staff recognition program and playground account. These accounts should be more appropriately run through a different fund. We also noted that Box Tops for Education donations were being receipted into the Student Activity Fund.

Recommendation - The various accounts listed above, with the exception of the playground account, would more appropriately run through the General fund. The playground account could be run through either the General or Physical Plant and Equipment Levy (PPEL) fund. The Box Tops for Education donations are to be used for instructional uses which would be more appropriately handled in the General Fund. The District should review all Student Activity Fund accounts and determine if the account is truly a student run organization and club. If the account is instructional in nature, the account should be closed and moved to the General Fund.

Response - All instructional accounts by nature that are supported by activities will be closed and moved to the General Fund. The pictures account will be eliminated. All other accounts will be run through the General Fund.

Conclusion - Response accepted.

- I-C-07 Parent Run Organization - We noted during our audit that the New Hampton Trap Shooting Club which utilizes the Districts federal identification number is not recorded on the Districts financial records.

Recommendation - The District should review their procedures to ensure that all accounts are being properly accounted for through the Districts central office.

Response - We have contacted the parent group and they will deposit all money with the district and all disbursements will be from the District to the appropriate vendors.

Conclusion - Response accepted.

I-D-07 Donations - We noted during our audit that a donation was made to an outside organization. The Uniform Procedures Manual specifically identifies "Student activity funds may not in any event be devoted or allocated to any private organization" which is referenced from an Attorney General's Opinion dated March 26, 1946. The District should refrain from making donation to any organizations.

Recommendation - The District should review its procedures to ensure that District funds are not donated to private organizations.

Response - Service groups will do fund raisers for specific causes and only donate the amount that is raised for that cause.

Conclusion - Response accepted.

NEW HAMPTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Statutory Reporting

- II-A-07 Certified Budget - District disbursements for the year ended June 30, 2007 exceeded the amount budgeted in the support services program area.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will monitor our spending and amend the budget before we overspend in any of the four areas.

Conclusion - Response accepted.

- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-07 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

| Name, Title and Business Connection | Transaction Description | Amount |
|--|----------------------------|----------|
| Wanda Batchelder, Media Specialist Owner of House of Flowers | Supplies | \$820 |
| Anita Quirk, Teacher Spouse owns New Hampton Electric | Repairs/Supplies | \$5,078 |
| Rich Stochl, Board Member Partner in Elwood, O'Donohoe & Stochl | Legal Services | \$2,475 |
| Dave Gorman, Custodian Owner of Dave's Locksmith | Services | \$623 |
| Terry Phillips, Cook Spouse owns Phillips Refrigeration | Repairs | \$1,395 |
| Linda Schwickerath, Secretary Spouse owns Office World | Office Supplies | \$16,178 |
| Donna Kramer, Paraeducator Spouse owns Rick's Parking Lot Line | Services | \$900 |

| Name, Title and Business Connection | Transaction Description | Amount |
|--|----------------------------|---------|
| Jeanette Laures, Teacher Father-in-law owns Vern Laures | Vehicle and repairs | \$861 |
| Rich Goodwin, Board Member Manager of Pamida | Supplies | \$2,036 |
| Sue Weiglein, Paraeducator Husband performed service | Services | \$167 |
| Carolyn Huber, Teacher Husband owns Napa Auto Parts | Supplies | \$113 |

In accordance with the Attorney's General's opinion dated November 9, 1976, the above transactions with the spouse's of Linda Schwickerath, Anita Quirk, Donna Kramer, Sue Weiglein, Carolyn Huber and Terry Phillips and the father-in-law of Jeanette Laures do not appear to represent a conflict of interest.

In accordance with the Attorney's General's opinion dated July 2, 1990, the above transactions with Wanda Batchelder, and Dave Gorman do not appear to represent a conflict of interest.

In accordance with Chapter 279.7A of the code of Iowa, the above transactions with Rich Stochl does not appear to represent a conflict of interest. The above transactions with Rich Goodwin does not appear to represent a conflict of interest per District legal counsel.

II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We will retain a copy of the email when we submit our minutes to the paper for publications. If they can't print them on time we will have documentation that they were submitted on time.

Conclusion - Response accepted.

II-G-07 Certified Enrollment - We noted that the number of basic resident student reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for October 2006 was overstated. The District's certified enrollment count on line 2 was overstated by 2.9 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management .

Conclusion - Response accepted.

II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-J-07 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - We have requested that the bank send us images of both sides of the check and we are currently receiving our check images in that manner.

Conclusion - Response accepted.

II-K-07 Financial Condition - The District had negative accounts within the Student Activity Fund.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - We will monitor the Student Activity fund closely and investigate alternatives to eliminate the deficits.

Conclusion - Response accepted.